

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 8184

BILL NUMBER: HB 1722

DATE PREPARED: Jan 21, 1999

BILL AMENDED:

SUBJECT: Indiana Development Finance Authority.

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FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			
State Expenditures		4,900,000	4,900,000
Net Increase (Decrease)		(4,900,000)	(4,900,000)

Summary of Legislation: This bill allows the Indiana Development Finance Authority to triple its contribution to a participating lender's loan loss reserve fund if the borrower is a child care facility currently licensed by the state. It also allows the Indiana Development Finance Authority to issue bonds for the purpose of financing capital expenditures at licensed child care facilities in the state.

It appropriates \$2,900,000 for July 1, 1999, to June 30, 2000, and \$2,900,000 for July 1, 2000, to June 30, 2001, to the Finance Authority's Capital Access Program. It also appropriates \$2,000,000 for July 1, 1999, to June 30, 2000, and \$2,000,000 for July 1, 2000, to June 30, 2001, to the Finance Authority for developing a debt reserve fund for issuing pooled bonds for the construction or renovation of licensed child care facilities.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill appropriates a total of \$9.8 million from the state General Fund to the Indiana Development Finance Authority (IDFA) beginning July 1, 1999 and ending June 30, 2001. It appropriates \$5.8 million to be used to expand the Capital Access Program (CAP) to allow IDFA to triple its normal contribution to participating lender's loan loss reserve fund for child care facilities. The purpose of the CAP is to provide capital to businesses, particularly small and medium-sized businesses, to

foster economic development in Indiana.

The additional contribution to the loan loss reserve fund would allow banks to make CAP loans to borrowers who would not ordinarily qualify for a standard bank loan. IDFA contributes an average of 3.3% of the face amount of a CAP loan. The Family and Social Services Administration estimates that the average construction loan would be \$500,000 for a free standing child care facility and \$10,000 for an in-home facility.

It also appropriates \$4 million to be used to create a debt service reserve fund for the purpose of allowing IDFA to issue pooled bonds for the construction or renovation of licensed child care facilities. The debt service reserve fund would result in a lower interest rate for borrowers. IDFA estimates that the \$2 million appropriation in each year of the biennium would be sufficient to support up to \$25 million in bonds.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Development Finance Authority.

Local Agencies Affected:

Information Sources: Diana Hamilton, IDFA, 233-4332; Family and Social Services Administration.